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SUBJECT: NEW FOCUS FOR CANADA'S DEVELOPMENT ASSISTANCE

REF: A. OTTAWA 1282 NOTAL (ISP ON TRADE)

[1](#)B. OTTAWA 1190 NOTAL (ISP ON NORTH AMERICA)

[1](#)C. OTTAWA 654 NOTAL (DEBT RELIEF)

[1](#)D. OTTAWA 324 NOTAL (DEBT RELIEF)

[1](#)E. COMMISSION FOR AFRICA)

[1](#)1. Summary: Canada is focusing its official development assistance (ODA) dollars and will be weaning 130 countries from its bilateral aid programs. The April 19 International Policy Statement (IPS) confirms that Canada, will concentrate its development assistance dollars on countries that can use it most effectively. Aid will focus on five sectors the GOC considers essential to meeting the Millennium Development Goals (MDG) and that it believes Canada can support most effectively, and all programs will be designed with an eye to promoting gender equality. Within five years, CIDA would like 67% of bilateral aid to go to 25 "development partners" as programs in other countries are phased out.

[1](#)2. Although the Prime Minister reiterated the GOC's decades-old goal of reaching an official development assistance (ODA) level of 0.7% of GNI, from about 0.26% now, the GOC has not set a target date. The new policy statement should make it easier to identify areas of bilateral cooperation with Canada's International Development Agency (CIDA). End Summary.

More aid money

[1](#)3. The Development section of Canada's April 19 International Policy Statement (IPS) contained few surprises but attracted a surprising amount of (mainly) positive publicity. Minister Aileen Carroll described the IPS to a Senate committee on May 11 as an "exciting process" and an "excellent piece of work," that identifies a niche that allows CIDA to truly make a difference in the world. The IPS, initiated by Paul Martin on taking office in November, 2003, confirmed that Canada will continue to increase aid levels by 8% a year and still plans to double aid to Africa by 2008-09 (from 2003-04 levels).

[1](#)4. Speaking before the Senate Foreign Affairs Committee, Minister Carroll explained that the IPS, in addition to continuing the commitment to increase aid levels by 8% a year, will accelerate that growth as the fiscal situation permits. Note: Refs A & B described other elements of the four-pronged IPS. The text of the policy statement is available on CIDA's website (among other locations) at www.acdi-cida.gc.ca . End note.

Focus on five sectors and a theme

[1](#)5. The IPS introduces a "development partner" paradigm and specifies five sectors on which Canada's ODA will be concentrated. All ODA will have the cross-cutting theme of promoting gender equality.

The sectors of focus are:

- good governance,
- health (with a focus on HIV/AIDS),
- basic education,
- private sector development and
- environmental sustainability.

The sectors were selected because they:

- advance the Millennium Development Goals;
- support developing countries' expressed needs and priorities; and
- are areas in which Canada and Canadians can "add value."

[1](#)6. To support good governance, CIDA will draw on the new Canada Corps, created to "involve Canadians of all ages and backgrounds," in partnership with NGOs and the private sector, to increase engagement in "governance interventions abroad." The private sector development effort, which is relatively new to CIDA, will follow up on the March 2004 Martin-Zedillo report (the Commission on the Private Sector and Development). Environmental sustainability was considered as a crosscutting theme, but was found to be a better fit as a separate sector.

More money to fewer countries

17. CIDA plans to focus its efforts and resources on fewer countries -- 25 "development partners," down from 155 current bilateral aid recipients. (Note: The target countries are listed at the end of this message. End note.) The IPS expands a policy initiated in 2002 of increasing support for countries with the ability to use aid effectively. The 25 "development partners" were selected on the basis of poverty (generally meaning per capita income of less than US\$1,000 a year), ability to use aid effectively, and a legacy of Canadian involvement. The number of target countries was not pre-set and CIDA managers expected between 20-30 countries to qualify. Of the 25 countries, most are in Africa and 18 have per capita income under \$500 per year. Programs in current aid recipient countries that are not target countries will be gradually phased out over time, but may continue to receive Canadian assistance through multilateral funding.

What if you don't make the cut as a development partner?

18. The 25 "development partner" countries are expected to receive two-thirds of bilateral development assistance funds by 2010 (up from 42% now), but the other 130 current aid recipients won't be abandoned. The remaining third of bilateral aid funds will cover assistance to failed and fragile states (Afghanistan, Iraq, Haiti, Sudan) and ongoing bilateral relationships with countries that don't qualify as development partners, but in which Canada has a strategic interest. Some current aid recipient countries (such as Thailand) are expected to graduate to middle-income status and the relationship will evolve from one of assistance to cooperation on mutual interests. Other countries will continue to receive Canadian aid that is funneled through the multilateral organizations as bilateral relationships end. Multilateralism is a theme throughout the IPS, and multilateral organizations currently distribute about 40% of GOC aid.

The 0.7% Solution: Someday?

19. Most press attention focused on the target of 0.7% of gross national product (GNI) for ODA, and the fact that the GOC did not commit to a date for reaching that target. The issue has particular resonance in Canada because former Prime Minister Lester Pearson introduced the 0.7% target. The IPS restates the GOC's long-term commitment to reaching the 0.7% of GNI goal, but acknowledges that Canada is not at that level. Martin, in his pre-release statement on April 18, reiterated support for the 0.7% of GNI goal, but stressed that Canada is not "in a position to make an unalterable guarantee as to that it will hit that target by 2015."

110. International Cooperation Minister Aileen Carroll (the head of CIDA) made similar statements to parliamentarians and in news interviews. In response to a senator's query about whether Canada wouldn't set a better example by identifying a date to meet the 0.7% target, Carroll agreed that quantity is important, but stressed that how Canada gives is, too. According to the OECD, Canada's ODA increased 12.2% in real terms from 2003-2004, reaching about 0.26% of GNI.

111. Media reports juxtapose the GOC's position with Canada's solid GDP growth, large annual fiscal surpluses, and the fact that 11 other countries, many of them less prosperous, have made a commitment to the 0.7% target. When economist Jeffrey Sachs visited Canada last year, the media focused on his bemused response to the GOC's explanation that Canada could not boost its GDP percentage of foreign aid because the economy is growing too fast.

112. Canada takes a leading role on development assistance and is active in calling for debt relief for poor countries (refs C & D), but officials have trouble breaking through the press, public and politicians' attachment to the 0.7% target. CIDA officials reiterated that Canada has gone beyond its Monterrey promise, and they are confident they can do what they have announced.

Bad timing, but robust policy

113. CIDA distributes about 70% of Canada's ODA, with the rest funneled through programs managed by the departments of Finance (to IFIs), Foreign Affairs and other agencies. With 155 recipients, Canada had the most dispersed aid program of all donors. Over time, an increasing share of funding to development partners will be direct budget support (although CIDA would not be comfortable providing budget support in all cases).

114. Canada's 2005 budget, tabled in March, called for an increase in development assistance of C\$3.4 billion (about US\$2.7 billion) over five years with the goal of doubling assistance from 2001-02 levels. That continues the past

years' commitment to increasing aid by 8% a year, with half of that increase going to Africa, and includes C\$172 million (about US\$138 million) for an initiative (announced in February) to provide 100% debt relief over the next five years for poor countries (Refs C & D). The opposition parties to the right and left of the government have both called for increases in Canada's ODA and endorsed the 0.7% target. The IPS commits 5% of Canada's R&D spending to research into development challenges.

15. Unfortunately, release of the IPS coincided with an outburst of political gamesmanship as the ruling Liberal Party and the Opposition parties tussled over the future of the Liberal minority government. The government's successful maneuvering to avoid a no-confidence vote over the budget included a deal with the much smaller NDP to increase spending on social issues, including an additional C\$500 million over two years for foreign aid. Yesterday's successful passage of the budget will both avert immediate elections and provide a welcome increase of an additional 8% a year for CIDA.

16. When asked about the prospects for the policy statement should an election be called (which is still possible in the fall), CIDA officials said that they consider this document to be robust. The IPS reflects international (and Canadian) consensus on the key development problems, and it supports the MDG and the Paris Declaration on aid effectiveness, which have widespread political support.

All publicity is good publicity?

17. CIDA officials were pleasantly surprised by how positive the reception of the development section of the IPS has been. The outline of the development policies has been known since January, but the list of target countries was new. On the IPS's release, a high percentage of media coverage touched on the development segment, with the list of partner countries and the debate over 0.7% gaining the most attention. Private sector partners have been positive, with very little pushback.

18. CIDA cited the effective "interdepartmental effort on electronics" (use of the Internet) as an asset in spreading the word on the IPS. Traffic on CIDA's website was up by 50% when the IPS was released, but there were very few phone calls or e-mails to Public Affairs, indicating that people were finding the information they needed on line.

Inter-agency coordination

19. When asked about the IPS's interagency process in coordinating international policy, CIDA officials point out that the links between the "3 Ds" (Diplomacy, Development, and Defense) are most clear in the crisis countries such as Afghanistan and Haiti, and emphasized that such coordination will continue. The IPS calls for a "whole-of-government" approach to development that will coordinate policy on issues such as debt relief, trade, and environmental problems with other agencies. START, the newly-created Stabilization and Reconstruction Taskforce led by Foreign Affairs Canada, will supplement the current coordination among ministries with a physical office at FAC, staffed by representatives from each agency. It will be backed up by CIDA's new "Canada Corps" of private sector experts.

20. The formal policy coordination process is through the Global Affairs cabinet committee, backed up by committees at the Deputy Minister and the Assistant Deputy Minister level. The IPS also commits the GOC to provide an annual international policy update to parliament, in which CIDA will participate.

Overlap with MCC

21. Like the Millennium Challenge Account, the IPS sets the goal of channeling development dollars where they will do the most good and involving recipient countries in designing programs. Nine Millennium Challenge Account countries are also target development partners for Canada. Seven current MCA countries (Armenia, Georgia, Lesotho, Madagascar, Morocco and Vanuatu) are not on Canada's list. However, recipients of GOC aid play a less active role than in the MCC and there is no separate funding for development partners.

Comment

22. Preparing the IPS was a grueling process for the GOC, but perhaps less so for CIDA than for the other international affairs agencies. It has a clear mandate with strong domestic consensus on its role and continued in a direction it chose three years ago. Morale is good, despite pressures.

However, all is not necessarily rosy.

23. When asked by Senators on May 11 about complaints that CIDA officials are risk averse, Carroll confirmed in strong terms that they are "pathologically risk averse," and "terrified of the Auditor General." She pointed out that continued criticism, such as CIDA receives from the Auditor General, leads to increased levels of auditing and accountability at the expense of flexibility. She wants to "deprocess a marvelous agency," and referred to a conversation she had just had with former U.S. Senator George Mitchell, who was in Canada pursuing UN reform, about the need to get more decision making authority to CIDA reps on the ground and to get more CIDA personnel out in the field. Our CIDA contacts are tremendously impressed with Minister Carroll, citing her energy, concern for staff, and efforts to create an open and collaborative work environment. There is strong support at all levels within CIDA for the IPS's goals.

24. List of 25 Canadian Development Partners

Africa: Benin, Burkina Faso, Cameroon, Ethiopia, Ghana,
Kenya, Malawi, Mali, Mozambique, Niger, Rwanda, Senegal,
Tanzania, Zambia
Americas: Bolivia, Guyana, Honduras, Nicaragua

Asia: Bangladesh, Cambodia, Indonesia, Pakistan, Sri Lanka,
Vietnam

Europe: Ukraine

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